

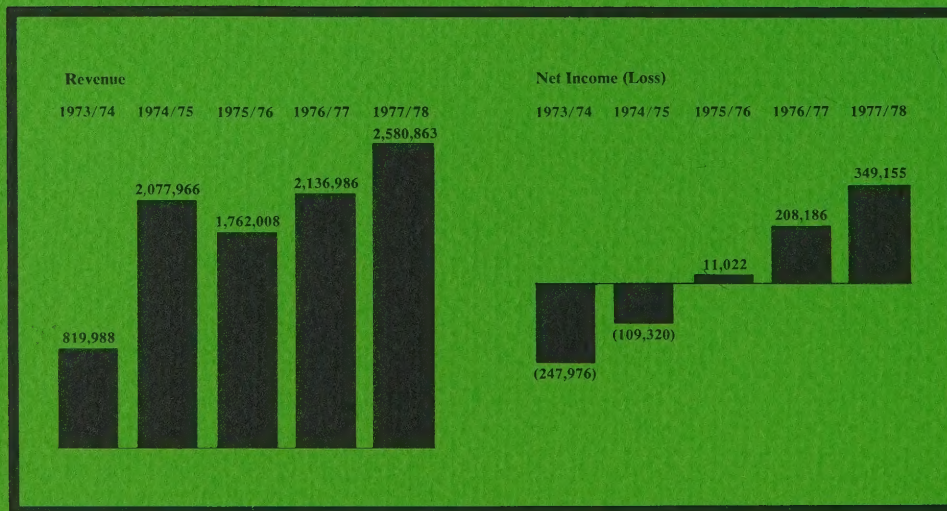
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ANNUAL REPORT

for the year ended 28 February 1978

**real.
time datapro Ltd.**

Formerly Datapro Ltd



TO THE SHAREHOLDERS

It is with great pleasure that I present my report on the results of the consolidated operations of Real Time Datapro Ltd. for the fiscal year ended 28th February 1978.

GENERAL

In spite of the poor economy we have managed to strengthen our position in the marketplace and through excellent acceptance of our specialty products have again considerably increased our profitability.

In January 1978 we have acquired assets and software of Welby Computer Services Limited of Ottawa. Welby dates its origin to 1958 and offered batch processing computer services through operations in Ottawa and Montreal, specializing in the general insurance industry and municipal government, services which largely parallel those offered by Real Time. As a result Real Time will now operate a branch office in Ottawa and recently the office in St. Eustache was merged with the former Welby operation in Montreal. The effect of the acquisition in the financial statements is not of major significance at this time since only two months of Welby business are included.

Our services to the general insurance industry continue to contribute the largest portion of our revenue. We have successfully installed the first phase of our on-line policy management system and customer acceptance has been most satisfying. The product has been labelled by many experts as the most advanced insurance system on the market today and through use of innovative technology we have been able to profitably offer the services at a price below our competitors. We have plans to expand this system for use by insurance agents and brokers and are hopeful to demonstrate a proto-

type during the latter part of 1978. The takeover of portions of automobile insurance by the Quebec government has had little effect on us in that province. We have adapted to the requirements of the political realities in Quebec and are capable of offering our services in that province fully in the French language.

During the year we have considerably enhanced our product for municipal governments and it is in this area where the acquisition of Welby has shown the greatest potential. We now serve over 100 municipalities in Ontario and can be considered the leading supplier in Ontario. Upon representation to the Ontario government we have managed to dissuade them from offering computer services to municipalities. Our terminal technology is still considered a better alternative to in-house computer systems and with the expanded use of the terminal for additional services we have successfully increased revenue from existing accounts, as well as adding many new ones.

With the heavy concentration on the two major specialty areas our services to professional accountants have declined to the point where we had to decide to discontinue the financial management system with the phasing out of the old Burroughs B500 system. We have made arrangements to sell the equipment as well as the software to a small Toronto service bureau on favourable terms. T1 income tax services will continue to be offered and we are pleased to report that we have negotiated a marketing agreement with Richard De Boo Limited, one of Canada's foremost financial publishing houses to sell our T1 services on a nationwide basis. We feel highly confident about their success in the future.

Contract data entry services have for all

intents and purposes disappeared to the degree where they are not material to our overall results. Since this area always required a disproportionately high labour content, any loss of revenue is immediately offset by savings in payroll. We have realigned the data entry department to provide installation support and co-ordination for the many terminal installations we now have across the country. With this switch in responsibility we have managed to retain and effectively utilize highly competent staff to provide better service to our customers in the main specialty areas. Generally, we are fortunate that a substantial portion of our business is not too sensitive to the ups and downs of the economy and with the stabilization of wages in the data processing industry we can look forward to further improvement in return on investments.

FINANCIAL HIGHLIGHTS

Consolidated revenues show an increase of \$443,877 or 20.8% over the previous year. Net income for the year of \$349,155 as compared to \$208,186 in the previous year resulted in a profit improvement of 67.7%. Final per share earnings for the year are 14.9¢ as compared to 8.9¢ the previous year.

In view of the substantial decrease in long term debt and of our capital acquisitions, such as the purchase of the communications computer and the purchase of the previously rented Univac system, we have decreased working capital by \$76,851 yet still we are retaining a positive working capital position.

THE OUTLOOK

With continued strong demand for our services as well as the Welby acquisition,

we can again look forward to a sizable revenue increase for another year.

We foresee additional on-line service contracts to be signed as interest in this system remains extremely strong. The on-line system has further opened up as a potential market insurance companies with their own computer facility who may augment their facility with our more advanced interactive communications system.

The municipal business should see its biggest increase ever and with an indication from the Government of Quebec that it will standardize the assessment system in that province, we will aggressively pursue marketing opportunities there.

The rapid advancement of cost effective communications services by the common carriers allows us to evaluate new application areas to realize profit from our technological leadership.

To meet the ongoing demand we have made commitments to upgrade our main computing facility in Toronto and the new Univac 90/60 computer, to be installed in the latter part of 1978, will consolidate all our processing to a single system. We are currently undergoing alterations to our Toronto premises to accommodate the new equipment but foresee no immediate increase in space requirements.

In addition to the marketing agreement mentioned earlier with Richard De Boo, we have strengthened our own marketing staff to increase our presence from coast to coast. In fact, with the success for the on-line insurance system, we have had inquiries from potential users from the U.S.A. and overseas and during the year we will evaluate licensing agreements in export markets.

OUR PEOPLE

Staff loyalty and continued dedication together with industry expertise are most important ingredients to a successful computer service company. The reliability on highly competent staff is now more vital than ever. The change in technology and our leading role in presenting innovative solutions have attracted additional talent to Real Time Datapro and we are continually striving to provide a challenging working environment. Our staff has responded to our challenges and through excellent teamwork they have always come up with a better way. With their continued high degree of dedication, this Company can almost be assured of ongoing growths above industry averages.

G. E. MEINZER
President
24 May 1978



Executives of the Pilot Insurance Co. assessing the first live demonstration of the new on-line insurance system.



Members of the Treasury staff of the Town of Oakville at their newly installed terminal to Real Time.



Several of our key Quebec Insurance customers on a tour through our new Montreal premises with the President of the Company.



Customers and prospects at Real Time's booth at the Ontario Independent Insurance Agents Conference.

REAL TIME DATAPRO LTD. and subsidiary company

CONSOLIDATED BALANCE SHEET AS AT 28 FEBRUARY 1978

ASSETS

	<u>1978</u>	<u>1977</u>
Current		
Cash	\$ —	\$ 8,267
Accounts receivable	602,886	357,324
Unbilled services, at the lower of cost and net realizable value	21,353	24,330
Inventory of supplies, at cost	38,200	24,454
Prepaid expenses	<u>12,690</u>	<u>27,866</u>
	675,129	442,241
Deferred Charges, note 1	134,516	40,650
Fixed, notes 1 and 2	504,220	207,466
Goodwill, notes 1 and 3	915,025	940,389
	<u><u>\$2,228,890</u></u>	<u><u>\$1,630,746</u></u>

Approved on behalf of the Board:

G. E. MEINZER, Director

F. G. W. BERLET, Director

LIABILITIES

	<u>1978</u>	<u>1977</u>
Current		
Bank indebtedness, note 4	\$ 8,245	\$ 50,000
Accounts payable	584,113	221,345
Due to principal shareholder	—	8,274
Current portion of long term debt	67,000	70,000
	<u>659,358</u>	<u>349,619</u>
Long Term Debt, note 5	45,000	139,500
	<u>704,358</u>	<u>489,119</u>

SHAREHOLDERS' EQUITY

Share Capital, note 6		
Authorized		
5,000,000 common shares without par value, aggregate consideration not to exceed \$5,000,000		
Issued		
2,374,155 common shares	1,796,585	1,762,835
Deficit	<u>272,053</u>	<u>621,208</u>
	<u>1,524,532</u>	<u>1,141,627</u>
	<u>\$2,228,890</u>	<u>\$1,630,746</u>

SIGNIFICANT ACCOUNTING POLICIES, note 1
ACQUISITIONS, note 7
INCOME TAXES, note 8
COMMITMENTS, note 9

CONTINGENT LIABILITY, note 10
STATUTORY INFORMATION, note 11

	<u>1978</u>	<u>1977</u>
Revenue	\$2,580,863	\$2,136,986
Expenses		
Processing, selling and administrative	2,066,005	1,762,772
Depreciation and amortization of fixed assets	92,151	53,950
Amortization of: deferred charges	26,134	45,158
goodwill	25,364	25,365
Interest expense (including long term 1978 — \$17,529; 1977 — \$29,333)	22,054	41,555
	<u>2,231,708</u>	<u>1,928,800</u>
Income Before Income Taxes and Extraordinary Item	349,155	208,186
Income taxes	<u>168,000</u>	<u>100,000</u>
Income Before Extraordinary Item	181,155	108,186
Extraordinary item		
Realization of income tax reduction by application of prior period losses	<u>168,000</u>	<u>100,000</u>
Net Income for the Year	349,155	208,186
Deficit, beginning of year	<u>621,208</u>	<u>829,394</u>
Deficit, End of Year	<u>\$ 272,053</u>	<u>\$ 621,208</u>
Earnings per Share		
Based upon the weighted average of shares outstanding during the year		
Before extraordinary item	7.7¢	4.6¢
After extraordinary item	14.9¢	8.9¢

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED 28 FEBRUARY 1978**

	<u>1978</u>	<u>1977</u>
Source of Funds		
Net income for the year	\$ 349,155	\$ 208,186
Items not involving funds		
Depreciation and amortization of fixed assets	92,151	53,950
Amortization of: deferred charges	26,134	45,158
goodwill	25,364	25,365
	<u>492,804</u>	<u>332,659</u>
 Increase in long term debt	 45,000	 —
Issue of common shares	33,750	—
Proceeds on disposal of fixed assets	—	4,800
	<u>571,554</u>	<u>337,459</u>
 Application of Funds		
Purchase of fixed assets	388,905	74,384
Deferred charges	120,000	—
Decrease in long term debt	139,500	162,500
	<u>648,405</u>	<u>236,884</u>
 Increase (Decrease) in Working Capital	 (76,851)	 100,575
Working capital (deficiency), beginning of year	<u>92,622</u>	<u>(7,953)</u>
 Working Capital, End of Year	 <u><u>\$ 15,771</u></u>	 <u><u>\$ 92,622</u></u>
 Represented by		
Current assets	\$ 675,129	\$ 442,241
Current liabilities	<u>659,358</u>	<u>349,619</u>
	<u><u>\$ 15,771</u></u>	<u><u>\$ 92,622</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 28 FEBRUARY 1978

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies of the Company:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Datapro (E.D.P.I.) Limited.

(b) Deferred Charges

Package programmes are amortized as follows:

Developed in-house packages — straight line basis over five years from year of operation

Purchased packages — straight line basis over two years from month of purchase

These expenses will be fully amortized in the event they are no longer marketable.

(c) Depreciation

Depreciation is provided as follows:

Furniture and fixtures — 20% diminishing balance basis

Processing equipment — 20% diminishing balance basis

Magnetic tapes — 20% straight line basis

Automotive equipment — 30% diminishing balance basis

Leasehold improvements — Straight line basis over terms of leases

In February 1978 the Company purchased computer equipment for \$154,000 which it had leased during the year. Since the rental payments were made for the entire year, no depreciation was provided.

(d) Goodwill

Goodwill is amortized on a straight line basis over 40 years from date of purchase.

2. FIXED ASSETS

	1978		1977	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and fixtures	\$132,518	\$ 76,713	\$108,301	\$ 64,011
Processing equipment	754,728	350,333	405,768	287,497
Magnetic tapes	46,845	26,891	32,416	19,611
Automotive equipment	16,024	9,475	16,024	6,668
Leasehold improvements	43,822	26,305	42,523	19,779
	<u>993,937</u>	<u>489,717</u>	<u>605,032</u>	<u>397,566</u>
Cost less accumulated depreciation	<u>\$504,220</u>		<u>\$207,466</u>	

3. GOODWILL

	<u>1978</u>	<u>1977</u>
Purchased from Real Time Corporation Limited	\$1,014,575	\$1,014,575
Accumulated amortization	99,550	74,186
	<u>\$ 915,025</u>	<u>\$ 940,389</u>

4. BANK INDEBTEDNESS

	<u>1978</u>	<u>1977</u>
Bank loan	\$ —	\$ 50,000
Overdraft	8,245	—
	<u>\$ 8,245</u>	<u>\$ 50,000</u>

5. LONG TERM DEBT

	<u>1978</u>	<u>1977</u>
10% debenture payable \$17,500 quarterly, with the balance due March 1979	\$ 52,000	\$ 209,500
Non-interest bearing note payable to Welby Computer Services Limited \$15,000 per annum maturing 1 January 1982	60,000	—
	112,000	209,500
Current portion	67,000	70,000
	<u>\$ 45,000</u>	<u>\$ 139,500</u>

6. SHARE CAPITAL

In January 1978, the Company issued 45,000 common shares to Welby Computer Services Limited for \$33,750 in conjunction with the purchase of certain assets as referred to in note 7. Welby Computer Services Limited has agreed to purchase 100,000 common shares for \$75,000. These shares will be issued and paid for on the following basis beginning February 1979:

<u>Date</u>	<u>Shares</u>	<u>Price</u>
1979	18,756	\$14,067
1980	25,008	18,756
1981	25,008	18,756
1982	25,008	18,756
1983	6,220	4,665
	<u>100,000</u>	<u>\$75,000</u>

A senior officer has an option to purchase 15,000 common shares of the Company to June 1978 at \$1.00 per share.

7. ACQUISITIONS

In January 1978, the Company acquired computer software and certain other assets from Welby Computer Services Limited ("Welby") as follows:

Computer software	\$120,000
Furniture and equipment	16,100
Paper supplies and tapes	17,200
	<u>\$153,300</u>

Payment for the computer software is as follows:

\$ 60,000 — paid January 1978
60,000 — payable over four years in equal instalments of \$15,000 per annum
<u>\$120,000</u>

"Welby" has agreed to assist in the retention of its former customers throughout 1978. In return the Company shall pay "Welby" a commission based on a percentage of revenue therefrom. This commission will be paid over a four year period beginning February 1979. (See notes 5 and 6.)

8. INCOME TAXES

The Company has losses of \$246,000 available to reduce taxable income of future years. Of the above losses \$140,500 expires in 1979 and \$105,500 expires in 1980. The potential reduction in income taxes payable of \$104,400 is not reflected in these financial statements.

9. COMMITMENTS

In December 1977, the Company entered into an agreement to purchase computer equipment at a cost of \$446,000, such equipment to be installed and operating by October 1978.

The Company also entered into an agreement to lease computer equipment for five years at \$43,000 per annum with an option to purchase at approximately \$187,000 if exercised after nine months.

Commitments for premises under lease agreements which extend beyond one year require annual payments as follows:

- (a) Toronto — to October 1981, \$114,472 plus maintenance, taxes and utilities;
- (b) Montreal — to December 1982, \$27,325;
- (c) Ottawa — to July 1979, \$22,824.

The Company has leased computer equipment including maintenance contracts for various periods ranging from one to five years.

10. CONTINGENT LIABILITY

The Company is guarantor of a note of a third party in the amount of \$20,000.

11. STATUTORY INFORMATION

The aggregate direct remuneration paid by the Company and its subsidiary to the five highest paid employees, including directors and senior officers, was \$231,898 (1977 — \$184,776). No remuneration was paid to directors, as such.

AUDITORS' REPORT

TO THE SHAREHOLDERS

REAL TIME DATAPRO LTD.

We have examined the consolidated balance sheet of Real Time Datapro Ltd. and its subsidiary as at 28 February 1978 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at 28 February 1978 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dunwoody & Company

Toronto, Ontario
25 April 1978

CHARTERED ACCOUNTANTS

Directors

F. G. W. Berlet
Chairman
G. A. Demeyere
G. C. Gray
G. E. Meinzer
R. A. Reddoch

Officers

Gerry E. Meinzer
President
Norman E. Anderson
Vice-President
Robert G. McLeod, C.A.
Secretary-Treasurer

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Hughes, Amys
Barristers & Solicitors

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Chartered Accountants

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